

## Summary of the 39<sup>th</sup> Survey on Overseas Business Activities (conducted in July 2009)

### Trends of overseas affiliates in the fiscal year (FY) 2008 survey

- The overseas production ratio declined for the first time in nine years to 17.0%.
- Major items such as sales, ordinary profits, and capital investment all registered significant double-digit decreases from the previous year.
- The ratio of the number of overseas affiliates in China against the total number in the whole world expanded.
- The ratio of sales to Japan and the ratio of procurements from Japan of overseas affiliates in manufacturing industries both decreased.
- Nearly 70 percent of the corporate headquarters replied that their overseas affiliates' products and services have not yet fully obtained market shares in the countries/regions in which they have advanced.
- More than 70 percent of the overseas affiliates replied that their technological levels are on par with those of Japanese companies.

### Summary of findings

#### 1. The overseas production ratio declined for the first time in nine years to 17.0%.

The overseas production ratio for manufacturing industries (based on all domestic companies), which posted a record high in the previous year, decreased by 2.1 points to 17.0%.

#### 2. Sales, ordinary profits, current net profits, current retained earnings, and capital investment all registered significant double-digit decreases.

Sales of overseas affiliates amounted to 201.7 trillion yen (14.6% decrease as compared to the previous year; 15.5% decrease if only comparing companies that gave valid responses for this year and the previous year).

Ordinary profits amounted to 7.3 trillion yen (35.8% decrease (id.); 40.2% decrease (id.)).

Current net profits amounted to 4.5 trillion yen (42.4% decrease (id.); 46.3% decrease (id.)).

The amount of current retained earnings of overseas affiliates was 1.8 trillion yen (49.8% decrease; 64.7% decrease (id.)).

The amount of capital investment (manufacturing industries) was 3.6 trillion yen (14.7% decrease (id.); 16.9% decrease (id.)).

Manufacturing industries showed significant decreases in all these items. By region, decreases were observed in all of North America, Asia, and Europe, with the decline being largest in North America.

#### 3. The ratio of the number of overseas affiliates in China against the total number in the whole world expanded.

Asia accounted for 60% of the total number of overseas affiliates, and from among this percentage, half were distributed throughout China.

The ratio of those in China and other Asian countries, such as Vietnam and India, has been on a rise.

#### 4. The ratio of sales to Japan and the ratio of procurements from Japan both decreased.

The sales ratios to Japan<sup>\*1</sup> of overseas affiliates in manufacturing industries decreased in North America (down by 0.7 points), Asia (down by 4.2 points), and Europe (down by 0.6 points), as compared to FY1999.

The ratio of procurements from Japan<sup>\*2</sup> of overseas affiliates in manufacturing industries also decreased in North America (down by 16.7 points), Asia (down by 0.2 points), and Europe (down by 3.6 points), as compared to FY1999.

\*1 Sales ratio: Percentage of the amount of sales accounted for by the relevant region

\*2 Procurement ratio: Percentage of the amount of purchases accounted for by the relevant region

5. Nearly 70 percent of the corporate headquarters replied that their overseas affiliates' products and services have not yet fully obtained market shares.

Regarding market shares of their products and services in countries/regions in which they have advanced, of the questionnaire options, "have obtained," "competing," and "have not obtained," nearly 70 percent of the corporate headquarters selected "have not obtained."

Nearly 80 percent replied that they "have not obtained" market shares in emerging countries.

6. More than 70 percent of the overseas affiliates replied that their technological levels are on par with those of Japanese companies.

More than 70 percent of overseas affiliates, including those adopting a specialized manufacturing system and those adopting an integrated manufacturing system, replied that their technological levels are on par with those of Japanese companies.

Compared with the past survey results, the ratio of overseas affiliates replying that their technological levels are "on par" with those in Japan increased from about 50% in FY1996 to over 70% in FY2008, and the ratio of those replying that their levels are "lower" decreased from about 40% in FY1996 to about 20% in FY2008.

## 1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2008 was 17,658 companies, consisting of 8,147 companies in manufacturing industries and 9,511 companies in non-manufacturing industries. Overseas affiliates in manufacturing industries accounted for 46.1% of the total number of overseas affiliates in all industries (down by 3.6 points as compared to the previous year), and those in non-manufacturing industries accounted for 53.9% of the total (up by 3.6 points (id.)) (see Table 1).
- The number of overseas affiliates increased in all regions of North America, Asia, and Europe.
- By region, the number of overseas affiliates in Asia was 10,712, accounting for 60% of the total. Within this, the number of overseas affiliates in China was 5,130 (accounting for 29.1% of all regions; up by 1.2 points from the previous year), and the number in other Asian countries, including Vietnam and India, was 619 (3.5% (id.)); up by 0.5 points (id.)), both showing an expanding trend (see Table 2 and Figure 1).

**Table 1. Distribution of overseas affiliates by sector**

(Units: companies, %)

	End of FY2008 Number of	Breakdown by sector		
		FY2007 Breakdown	FY2008	
			Breakdown	Change in points
All industries	17,658	100.0	100.0	-
Manufacturing industries	8,147	49.7	46.1	-3.6
		100.0	100.0	-
Food	406	4.9	5.0	0.1
Textiles	405	4.7	5.0	0.3
Lumber, wood, paper, and pulp	118	1.5	1.4	-0.1
Chemicals	1,022	12.9	12.5	-0.4
Petroleum and coal	46	0.5	0.6	0.1
Ceramic, stone, and clay products	219	2.3	2.7	0.4
Iron and steel	283	3.2	3.5	0.3
Non-ferrous metals	255	3.0	3.1	0.1
Metal products	328	3.8	4.0	0.2
General-purpose machinery	275	4.1	3.4	-0.7
Production machinery	449	4.8	5.5	0.7
Business oriented machinery	250	3.4	3.1	-0.3
Electrical machinery	582	7.3	7.1	-0.2
Information and communication electronics equipment	962	13.6	11.8	-1.8
Transportation equipment	1,619	19.4	19.9	0.5
Miscellaneous manufacturing industries	928	10.6	11.4	0.8
Non-manufacturing industries	9,511	50.3	53.9	3.6
		100.0	100.0	-
Agriculture and forestry	95	1.1	1.0	-0.1
Mining	151	1.8	1.6	-0.2
Construction	275	3.3	2.9	-0.4
Information and communications	567	5.5	6.0	0.5
Transport	1,062	12.3	11.2	-1.1
Wholesale	4,821	51.0	50.7	-0.3
Retail trade	466	4.8	4.9	0.1
Services	1,080	9.2	11.4	2.2
Miscellaneous non-manufacturing industries	994	11.0	10.5	-0.5

**Table 2. Distribution of overseas affiliates by region**

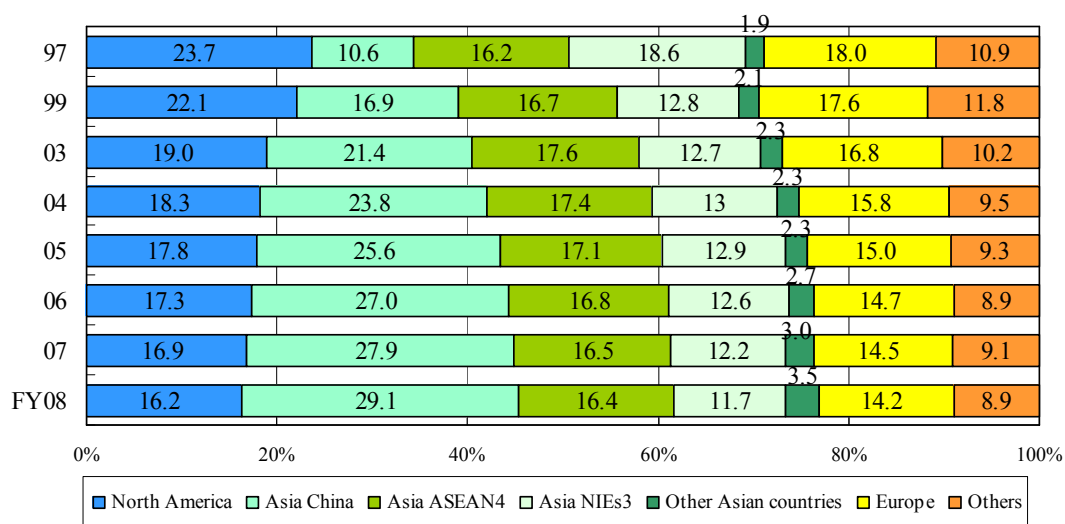
(Unit: companies)

	FY2007	FY2008
All regions	16,732	17,658
North America	2,826	2,865
Asia	9,967	10,712
China	4,662	5,130
ASEAN4	2,763	2,891
NIEs3	2,036	2,072
Other Asian countries	506	619
Europe	2,423	2,513
Others	1,516	1,568

Composition ratio (Unit: %)

	FY2007	FY2008
All regions	100.0	100.0
North America	16.9	16.2
Asia	59.6	60.7
China	27.9	29.1
ASEAN4	16.5	16.4
NIEs3	12.2	11.7
Other Asian countries	3.0	3.5
Europe	14.5	14.2
Others	9.1	8.9

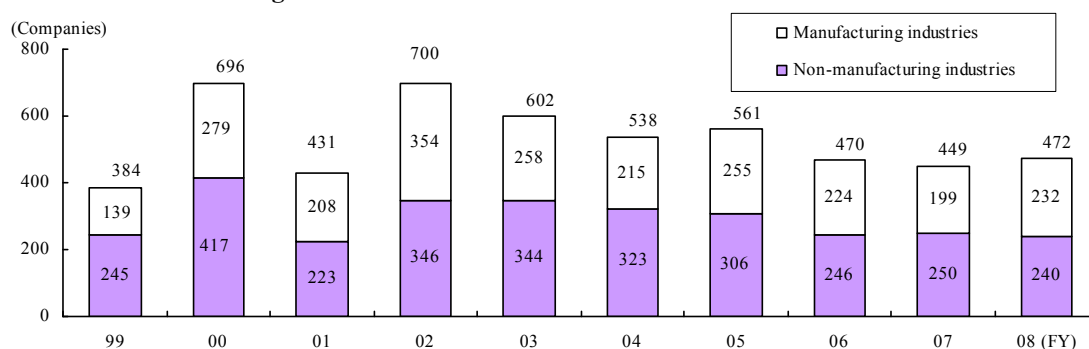
**Figure 1. Trends in distribution ratio of overseas affiliates by region**



## 2. Withdrawals and advances of overseas affiliates

- The number of overseas affiliates withdrawing from overseas markets<sup>(Note 1)</sup> in FY2008 was 472 (increased by 23 companies as compared to the previous year). Manufacturing industries saw an increase (to 232 companies; increased by 33 companies (id.)), and non-manufacturing industries saw a decrease (to 240 companies; decreased by 10 companies (id.)) (see Figure 2).
- The ratio of withdrawals<sup>(Note 2)</sup> was 2.6% (leveled off as compared to the previous year). In North America, the ratio was 2.7% (decreased by 0.5 points (id.)), indicating a continued decline since FY2003. Meanwhile, in Asia, the ratio turned to an increase, up by 0.5 points (id.) to 2.8%, after leveling off in the previous year. In particular, China (increased by 1.2 points (id.) to 2.9%) contributed to the overall increase in Asia (see Table 3).
- When looking at the percentage of overseas affiliates that expanded abroad in FY2008 by year of establishment or capital participation, there was an increase in the percentage of companies that advanced to China and other Asian countries, while the percentage of those that advanced to Europe and ASEAN4 declined (see Figure 3).

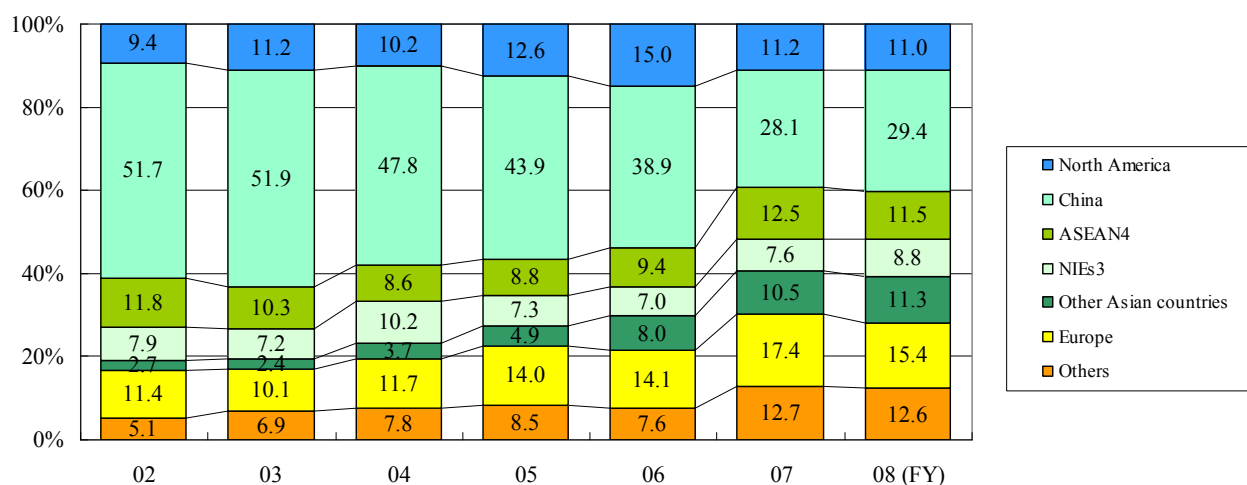
**Figure 2. Trends in the number of overseas withdrawals**



**Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region (%)**

	Number of overseas withdrawals (Companies)						Ratio of overseas withdrawals (%)					
	03	04	05	06	07	08 (FY)	03	04	05	06	07	08 (FY)
All regions	602	538	561	470	449	472	4.2	3.5	3.4	2.8	2.6	2.6
North America	135	136	137	127	94	81	4.9	4.7	4.6	4.3	3.2	2.7
Asia	263	238	241	231	235	303	3.4	2.7	2.6	2.3	2.3	2.8
China	94	92	109	123	82	151	3.1	2.5	2.6	2.7	1.7	2.9
ASEAN4	87	77	71	52	69	75	3.4	2.9	2.5	1.9	2.4	2.5
NIEs3	77	60	50	45	77	65	4.2	3.0	2.4	2.1	3.6	3.0
Europe	105	98	122	57	85	57	4.3	4.0	4.9	2.3	3.4	2.2

**Figure 3. Ratio of overseas affiliates by year of establishment or capital participation (by region)**



Note 1: "Withdrawal" includes "dissolution, withdrawal/transfer" and "decline in control share (where the ratio of investments from the Japan side declines to between 0% and 10%)".

Note 2: Ratio of withdrawals = Number of overseas withdrawals in FY2008 / (Total number of overseas affiliates with valid responses in FY2008 + Number of overseas withdrawals in FY2008) × 100.0

### 3. Employment at overseas affiliates

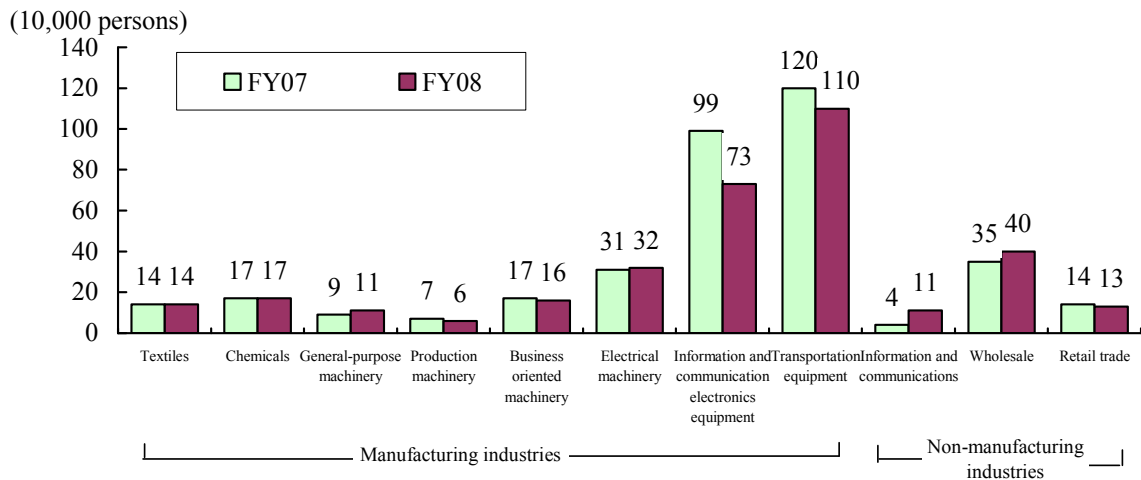
- The number of employees at overseas affiliates as of the end of FY2008 was 4.52 million people, 4.8% decrease as compared to the previous year (7.8% decrease if only comparing companies that gave valid responses for this year and the previous year). The number of employees in manufacturing industries (3.57 million people) decreased by 9.8% as compared to the previous year, while that in non-manufacturing industries (950,000 people) increased by 19.9% (see Table 4).
- By sector, there were decreases in the transportation equipment sector (1.1 million people; down by 8.5% (id.)) and the information and communication electronics equipment sector (730,000 people; down by 26.6% (id.)) in manufacturing industries, while increases were observed in the wholesale sector (400,000 people; up by 13.4% (id.)) and the information and communications sector (110,000 people; up 167.8%) in non-manufacturing industries (see Figure 4).
- By region, the number decreased in all of Asia (3.21 million people; down by 4.8% (id.)), North America (630,000 people; down by 5.7% (id.)), and Europe (420,000 people; down by 6.3% (id.)) (see Figure 5).
- In Asia, there were decreases in China (1.5 million people; down by 7.1% (id.)), ASEAN4 (1.2 million people; down by 4.0% (id.)), and other Asian countries (260,000 people; down by 3.4% (id.)) (see Figure 6).

**Table 4. Trends in the number of employees at overseas affiliates**

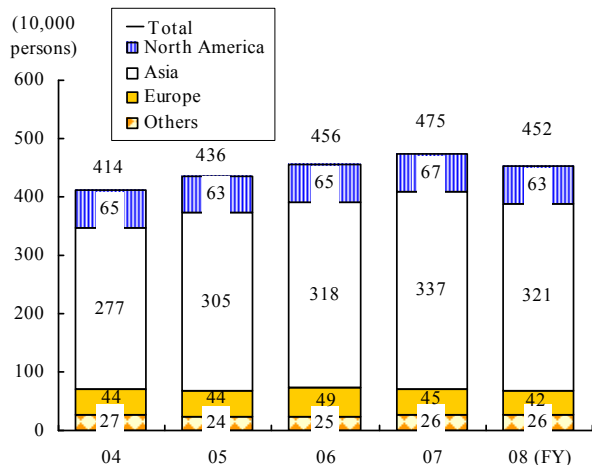
(Units: 10,000 persons, %)

	04		05		06		07		08 (FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	414	9.9	436	5.4	456	4.5	475	4.1	452	-4.8
Manufacturing industries	340	9.3	362	6.4	379	4.7	395	4.3	357	-9.8
Non-manufacturing industries	73	12.6	74	0.6	77	3.7	79	3.6	95	19.9

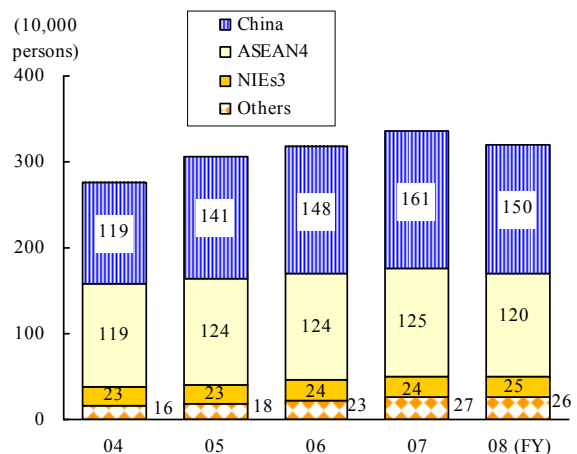
**Figure 4. Number of employees at overseas affiliates (by major sector)**



**Figure 5. Number of employees at overseas affiliates (by region)**



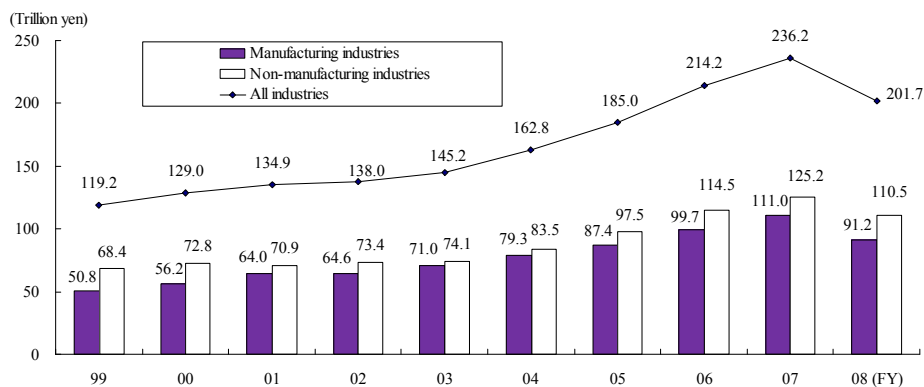
**Figure 6. Number of employees at overseas affiliates (in Asia)**



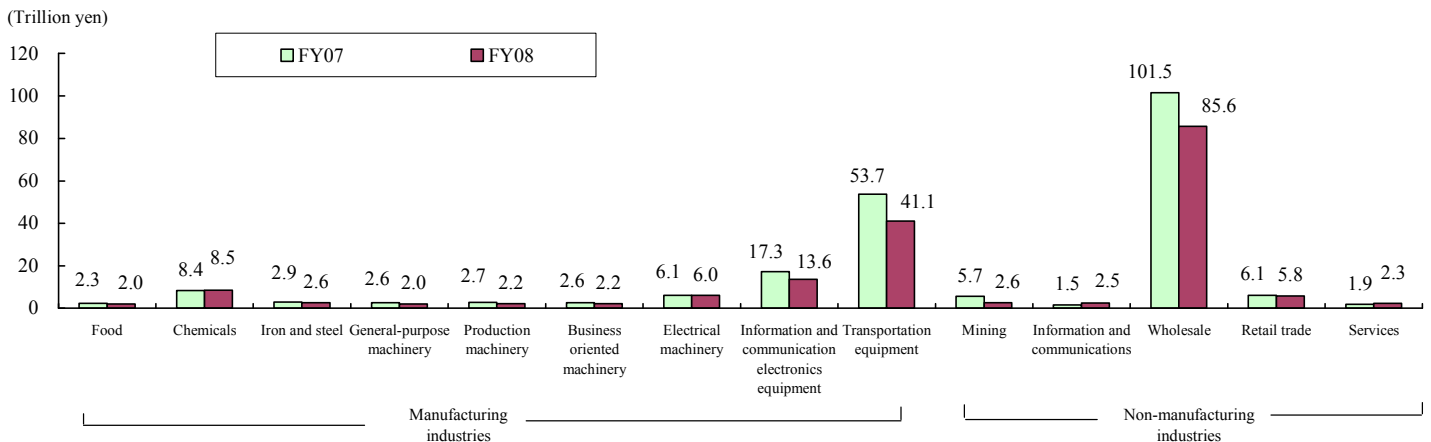
#### 4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2008 decreased to 201.7 trillion yen (down by 14.6% as compared to the previous year) (15.5% decrease if only comparing companies that gave valid responses for this year and the previous year). Sales for manufacturing industries (91.2 trillion yen; down by 17.9% as compared to the previous year) and non-manufacturing industries (110.5 trillion yen; down by 11.7% (id.)) both decreased (see Figure 7).
- By sector, decreases were observed in manufacturing industries in the transportation equipment sector (41.1 trillion yen; down by 23.4% (id.)) and information and communication electronics equipment sector (13.6 trillion yen; down by 21.2% (id.)). Among non-manufacturing industries, there were decreases in such sectors as the wholesale sector (85.6 trillion yen; down by 15.7% (id.)) (see Figure 8).
- By region, decreases were seen in all of North America (61.9 trillion yen; down by 21.8% (id.)), Asia (78.1 trillion yen; down by 8.9% (id.)), and Europe (42.3 trillion yen; down by 16.6% (id.)). In Asia, China, ASEAN4, and NIEs3 all saw decreases (see Figure 9 and Figure 10).

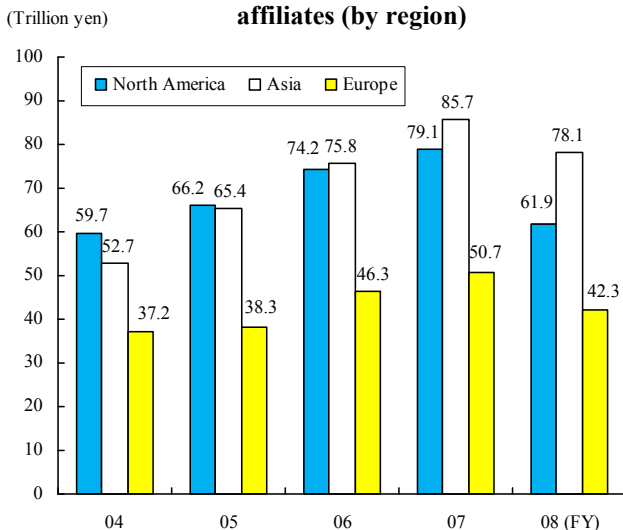
**Figure 7. Sales trends of overseas affiliates**



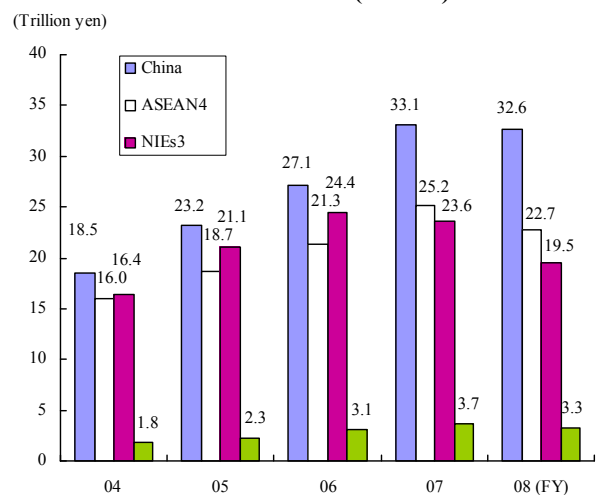
**Figure 8. Sales of overseas affiliates (by major sector)**



**Figure 9. Sales trends of overseas affiliates (by region)**



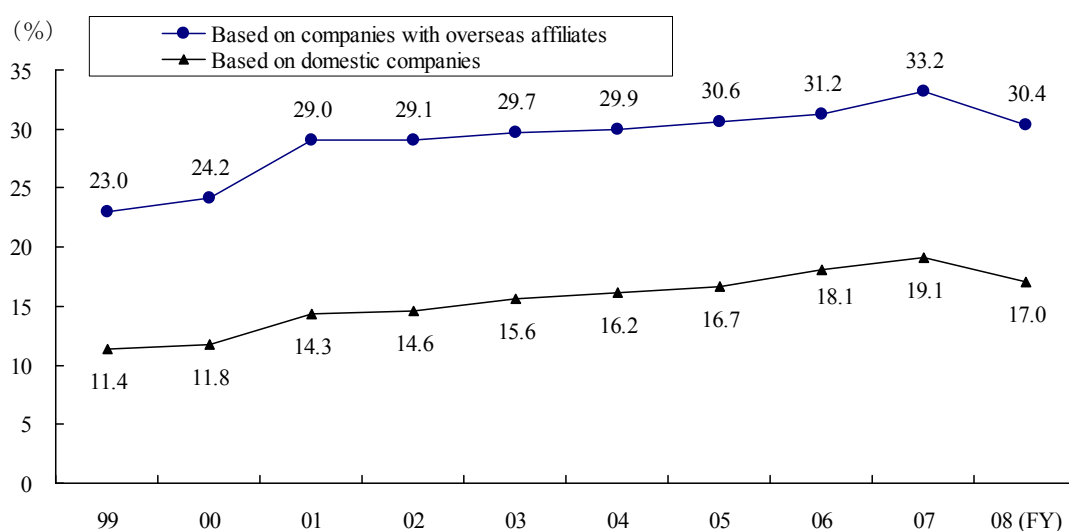
**Figure 10. Sales trends of overseas affiliates (in Asia)**



## 5. Overseas production ratio

- The overseas production ratio for manufacturing industries (calculated based on the total number of domestic companies)<sup>(Note 1)</sup> was 17.0% (down by 2.1 points as compared to the previous year), registering a decline for the first time in nine years (see Figure 11).
- By sector (old classifications),<sup>(Note 2)</sup> as shown in the overseas production ratio for the information and communication electronics equipment sector (28.1%; down by 4.1 points (id.)) and the transportation equipment sector (39.2%, down by 2.8 points (id.)), there were decreases in many sectors (see Table 5).

**Figure 11. Trends in the overseas production ratio (manufacturing industries)**



**Table 5. Trends in the overseas production ratio by sector (old sectors)  
(calculated based on the total number of domestic companies (manufacturing industries))**

	99	00	01	02	03	04	05	06	07	08 (FY)
Total for manufacturing industries	11.4	11.8	14.3	14.6	15.6	16.2	16.7	18.1	19.1	17.0
Food	2.8	2.7	4.5	4.6	4.9	4.4	4.2	4.2	4.9	3.8
Textiles	8.2	8.0	6.7	6.6	8.4	7.3	6.3	9.0	11.1	9.5
Lumber, wood, paper, and pulp	3.4	3.8	3.8	4.3	3.8	4.2	3.0	4.7	4.2	4.2
Chemicals	10.3	11.8	12.6	13.4	13.6	15.3	14.8	17.9	16.6	17.4
Petroleum and coal	1.2	1.4	1.5	2.0	1.6	1.8	2.6	4.4	2.5	1.3
Ceramic, stone, and clay products	7.5	8.1	5.2	5.8	5.3	6.3	6.6	12.0	10.7	11.8
Iron and steel	8.9	14.0	16.2	8.9	9.4	10.6	9.6	10.6	11.7	10.3
Non-ferrous metals	9.8	9.4	10.2	10.1	7.9	9.4	10.2	10.3	12.1	11.0
Metal products	1.3	1.6	1.8	1.9	1.6	1.7	2.2	2.6	3.4	2.5
General-purpose machinery	11.0	10.8	10.2	10.1	10.7	11.7	13.1	14.3	14.4	12.8
Electrical machinery	17.6	18.0	21.6	21.0	23.4	9.5	11.0	11.8	11.5	13.0
Information and communication electronics equipment	17.6	18.0	21.6	21.0	23.4	33.1	34.9	34.0	32.2	28.1
Transportation equipment	23.4	23.7	30.6	32.2	32.6	36.0	37.0	37.8	42.0	39.2
Precision instruments	11.0	11.2	12.0	12.9	12.8	12.4	13.8	8.9	9.4	7.9
Miscellaneous manufacturing industries	4.5	4.6	5.2	6.1	6.0	7.9	9.4	9.7	9.3	9.1

Note 1: Overseas production ratio based on all domestic companies

$$= \frac{\text{Sales of overseas affiliates (manufacturing industries)}}{\text{Sales of overseas affiliates (manufacturing industries)} + \text{Sales of domestic companies (manufacturing industries)}} \times 100.0$$

Overseas production ratio based on companies with overseas affiliates

$$= \frac{\text{Sales of overseas affiliates (manufacturing industries)}}{\text{Sales of overseas affiliates (manufacturing industries)} + \text{Sales of parent companies (manufacturing industries)}} \times 100.0$$

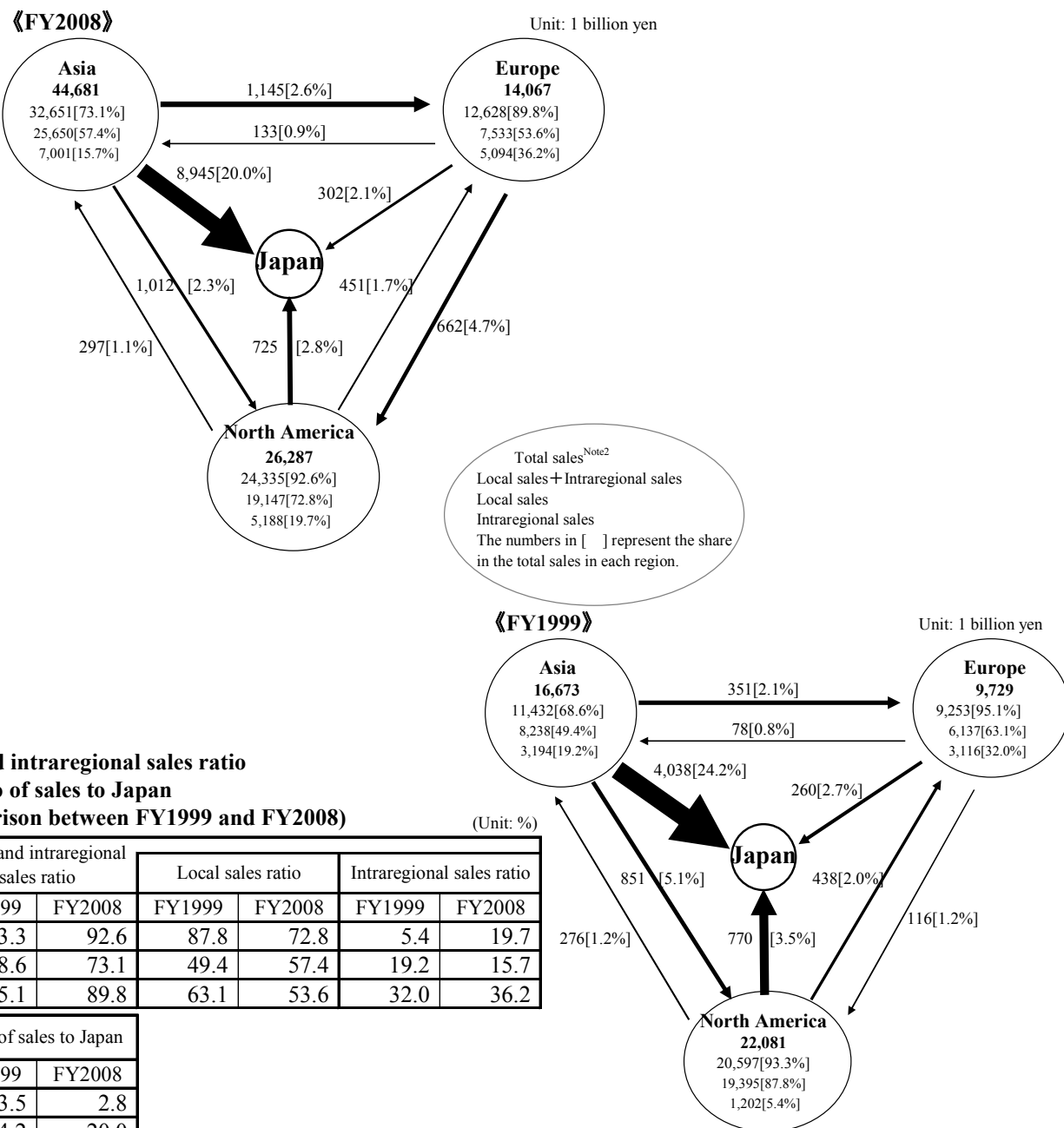
Note 2: The overseas production ratios by sector for FY2007 and FY2008 were aggregated and calculated by rearranging the survey results with old sector classifications.

Source: Sales of domestic companies: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

## 6. Sale destinations of overseas affiliates in manufacturing industries

- When looking at the local and intraregional sales ratio<sup>(Note 1)</sup> of overseas affiliates in manufacturing industries by region, in FY2008, the ratio was 92.6% in North America, 89.8% in Europe, and 73.1% in Asia. The ratios indicate that there is a continued trend of spending in the production region.
- The ratio of sales to Japan was 20% in Asia, 2.8% in North America, and 2.1% in Europe.
- Compared to FY1999, the local and intraregional sales ratio rose in Asia, while the intraregional sales ratio rose in North America and Europe. The ratio of sales to Japan declined in all regions (see Figure 12 and Table 6).

Figure 12. Sale destinations (sales) of overseas affiliates in manufacturing industries



Note 1. Local: Country in which overseas affiliates of Japanese companies are located

Intraregional: Same region other than the country in which overseas affiliates of Japanese companies are located (regional classifications: North America, Asia, Europe, etc.)

Local and intraregional sales ratio = Local and intraregional sales (sales) / Total sales of the region (total sales) × 100.0

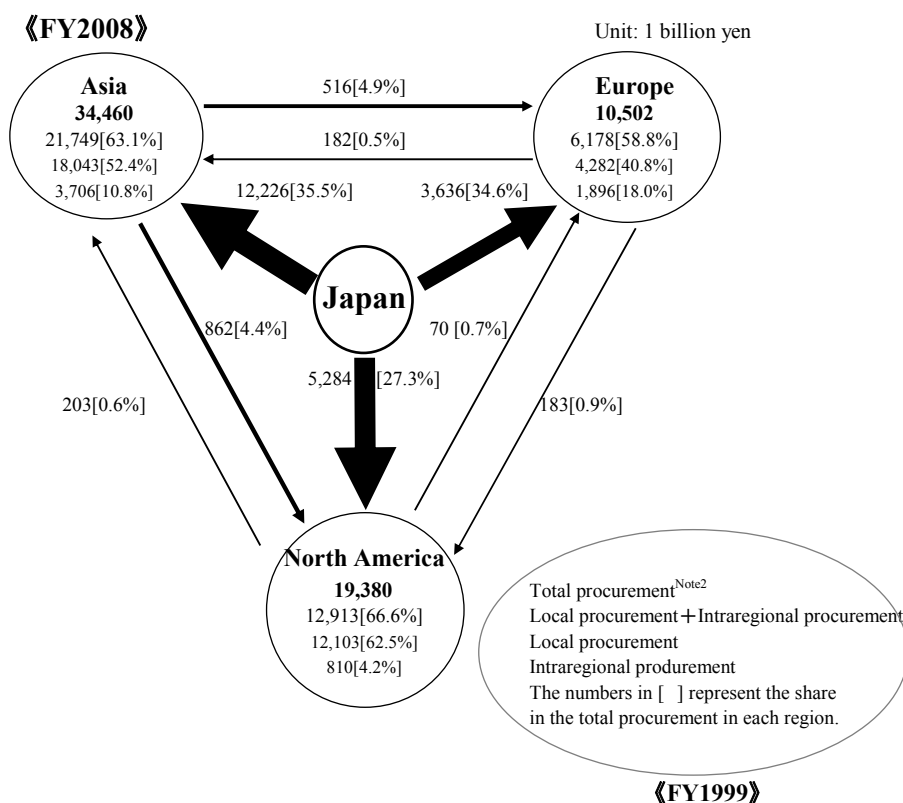
Note 2. The amount of total sales includes the amount of sales to other regions.



## 7. Procurement destinations of overseas affiliates in manufacturing industries

- When looking at the local procurement ratio<sup>(Note 1)</sup> of overseas affiliates in manufacturing industries by region, in FY2008, the ratio was 66.6% in North America, 63.1% in Asia, and 58.8% in Europe. Nearly 60% of materials are purchased locally or in the neighboring countries for all regions.
- The procurement ratio from Japan was 35.5% in Asia, 34.6% in Europe, and 27.3% in North America.
- Compared to FY1999, the local and intraregional procurement ratio increased in all regions of North America, Asia, and Europe. In the meantime, the procurement ratio from Japan decreased in all regions, with the decline being significant in North America (down by 16.7 points) (see Figure 13 and Table 7).

**Figure 13. Procurement destinations (purchases) of overseas affiliates in manufacturing industries**



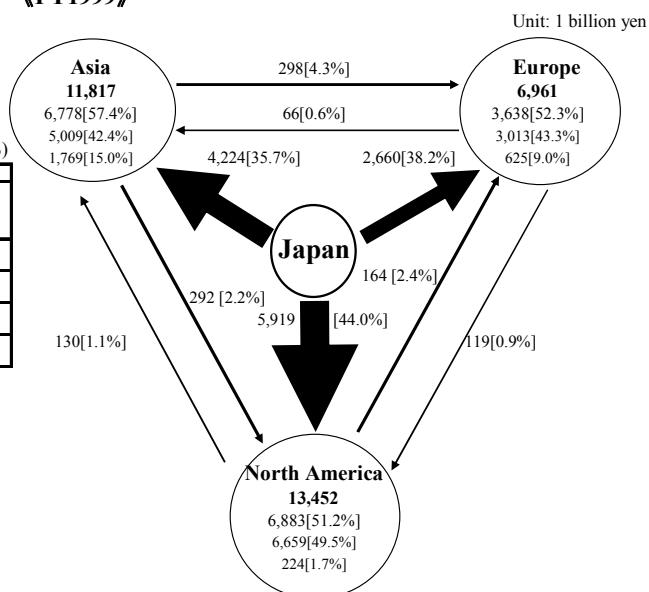
**Table 7. Local and intraregional procurement ratio and procurement ratio from Japan (Comparison between FY1999 and FY2008)**

(Unit: %)

	Local and intraregional procurement ratio		Local procurement ratio		Intraregional procurement ratio	
	FY1999	FY2008	FY1999	FY2008	FY1999	FY2008
North America	51.2	66.6	49.5	62.5	1.7	4.2
Asia	57.4	63.1	42.4	52.4	15.0	10.8
Europe	52.3	58.8	43.3	40.8	9.0	18.0

	Procurement ratio from Japan	
	FY1999	FY2008
North America	44.0	27.3
Asia	35.7	35.5
Europe	38.2	34.6



Note 1. Local: Country in which overseas affiliates of Japanese companies are located

Intraregional: Same region other than the country in which overseas affiliates of Japanese companies are located (regional classifications: North America, Asia, Europe, etc.)

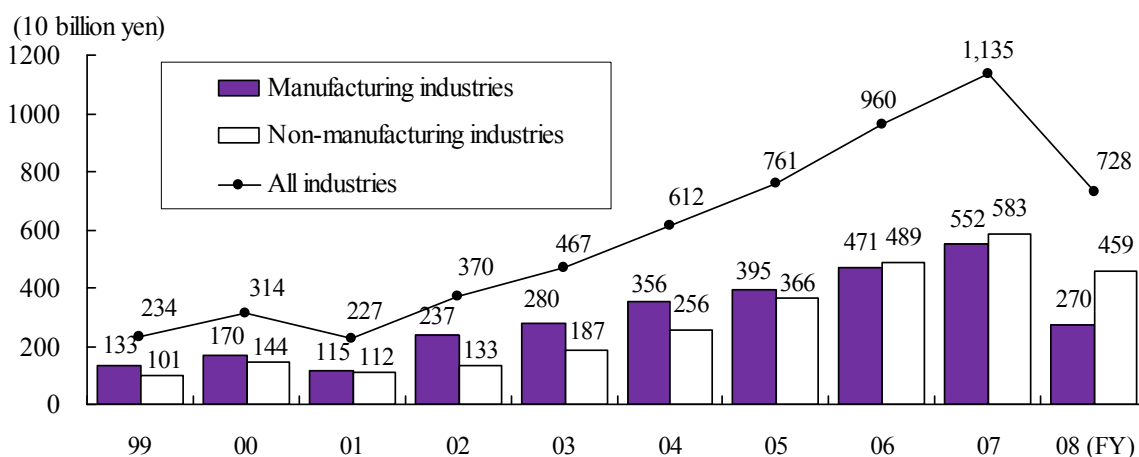
Local procurement ratio = Local procurement (purchases) / Total procurement of the region (total purchases) × 100.0

Note 2. The amount of total procurement includes the amount of procurement from other regions.

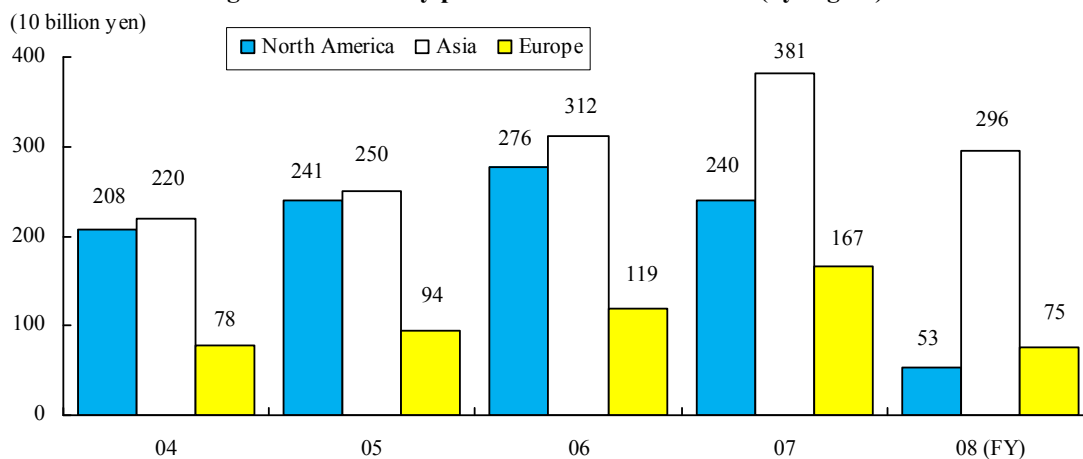
## 8. Profits of overseas affiliates

- In FY2008, ordinary profits of overseas affiliates amounted to 7.3 trillion yen, down by 35.8% as compared to the previous year (down by 40.2% if only comparing companies that gave valid responses for this year and the previous year). Decreases were observed both in manufacturing industries (2.7 trillion yen, down by 51.1% (id.)) and non-manufacturing industries (4.6 trillion yen, down by 21.4% (id.)) (see Figure 14).
- By region, there were decreases in all regions, down by 77.9% as compared to the previous year in North America to 530.6 billion yen, by 55.3% (id.) in Europe to 745.3 billion yen, and by 22.5% (id.) in Asia to 2.9555 trillion yen (see Figure 15).
- The ratio of ordinary profits to sales<sup>(Note)</sup> decreased for the first time in seven years to 3.5% (down by 1.4 points (id.)), and exceeded the ratio for domestic companies by 1.1 points. The ratio for manufacturing industries decreased by 2.2 points (id.) to 3.0%, but maintained a level above the ratio for domestic companies for the second consecutive year (see Table 8).

**Figure 14. Trends in ordinary profits of overseas affiliates**



**Figure 15. Ordinary profits of overseas affiliates (by region)**



**Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates**

(Unit: %)

	02	03	04	05	06	07	08 (FY)
All industries	2.8	3.4	3.9	4.2	4.7	4.9	3.5
Non-manufacturing industries	4.1	4.5	4.9	4.8	5.0	5.2	3.0
Manufacturing industries	1.7	2.4	2.9	3.7	4.5	4.7	4.0
(Reference) Domestic corporations	2.3	2.7	3.1	3.4	3.5	3.4	2.4
Non-manufacturing industries	3.2	3.9	4.8	5.0	5.3	5.1	2.3
Manufacturing industries	2.0	2.2	2.5	2.8	2.7	2.7	2.4

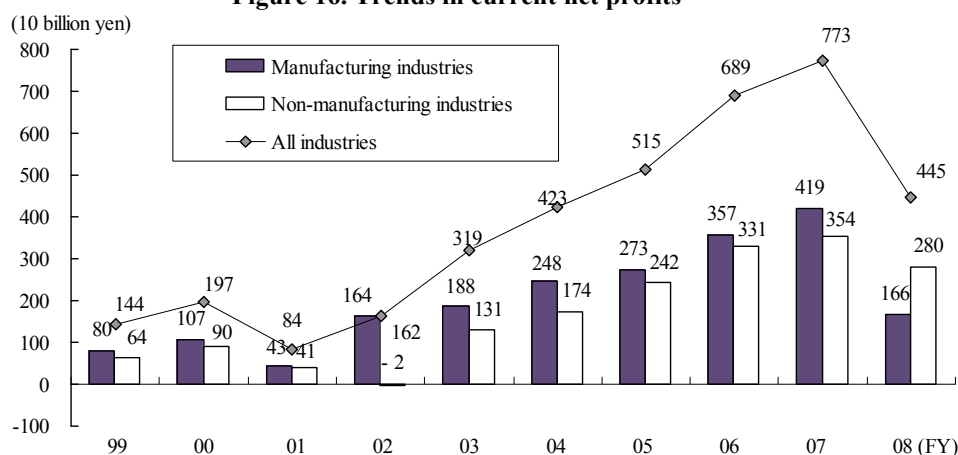
Note: Ratio of ordinary profit to sales = Ordinary profits / Sales × 100.0 (Calculated based on overseas affiliates that responded to questionnaires for both ordinary profits and sales.)

Source: Ratio of ordinary profits to sales in domestic companies: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

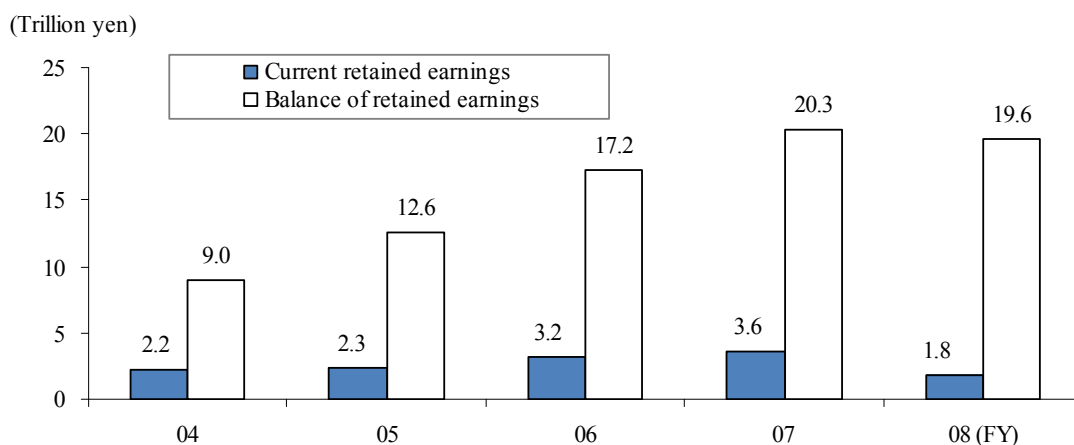
## 9. Profit appropriation of overseas affiliates

- In FY2008, current net profits of overseas affiliates amounted to 4.5 trillion yen (down by 42.4% as compared to the previous year) (down by 46.3% if only comparing companies that gave valid responses for this year and the previous year). Current net profits decreased in both manufacturing industries (1.7 trillion yen, down by 60.4% as compared to the previous year) and non-manufacturing industries (2.8 trillion yen, down by 21.0% (id.)) (see Figure 16).
- The amount of current retained earnings<sup>(Note 1)</sup> of overseas affiliates in FY2008 was 1.8 trillion yen (down by 49.8% (id.)) (a 64.7% decrease if only comparing companies that gave valid responses for this year and the previous year). Manufacturing industries saw a significant decline of 81.8%.
- The balance of retained earnings<sup>(Note 2)</sup> was 19.6 trillion yen (down by 3.6% as compared to the previous year) (down by 8.8% if only comparing companies that gave valid responses for this year and the previous year) (see Figure 17 and Table 9).

**Figure 16. Trends in current net profits**



**Figure 17. Trends in current retained earnings and balance of retained earnings**



**Table 9. Current retained earnings and balance of retained earnings**

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2007	FY2008	Y/Y	FY2007	FY2008	Y/Y
All industries	36,497	18,313	-49.8	203,218	195,892	-3.6
Manufacturing industries	18,148	3,304	-81.8	97,052	90,007	-7.3
Non-manufacturing industries	18,349	15,008	-18.2	106,166	105,885	-0.3

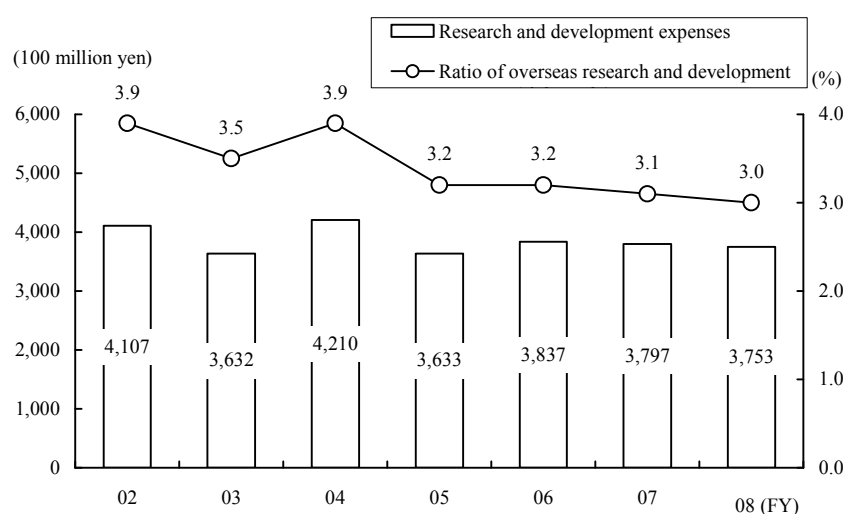
Note 1: Current retained earnings = Current net profit or loss – Directors' bonuses – Dividends

Note 2: Year-end balance of retained earnings = Proprietary capital – Capital – Capital reserve

## 10. Research and development expenses of overseas affiliates

- In FY2008, research and development expenses in manufacturing industries amounted to 375.3 billion yen (down by 1.2% as compared to the previous year) (down by 4.2% if only comparing companies that gave valid responses for this year and the previous year).
- The ratio of overseas research and development expenses<sup>(Note)</sup> decreased by 0.1 points as compared to the previous year, to 3.0% (see Figure 18).
- Research and development expenses per company in manufacturing industries increased by 2.4% (id.) to 300 million yen.
- By sector, there were increases in the chemicals and electrical machinery sectors, while decreases were observed in the production machinery and transportation equipment sectors (see Table 10).
- By region, research and development expenses increased in North America and Europe, but decreased in Asia (see Table 11).

**Figure 18. Trends in research and development expenses of overseas affiliates and in the ratio of overseas research and development expenses (manufacturing industries)**



**Table 10. Research and development expenses per company in manufacturing industries (by major sector)**

(Units: Million yen, %)

	FY2007	FY2008	
		Y/Y difference	Y/Y ratio
Manufacturing industries	296	303	2.4
Chemicals	409	513	25.4
General-purpose machinery	187	166	-11.2
Production machinery	260	208	-20.0
Business oriented machinery	232	210	-9.5
Electrical machinery	229	296	29.3
Information and communication electronics equipment	586	595	1.5
Transportation equipment	386	364	-5.7

**Table 11. Research and development expenses per company in manufacturing industries (by region)**

(Units: Million yen, %)

	FY2007			FY2008		
	Y/Y difference	Y/Y ratio		Y/Y difference	Y/Y ratio	
All regions	296	-10	-3.3	303	7	2.4
North America	588	-54	-8.4	647	59	10.0
Asia	131	22	20.2	123	-8	-6.1
Europe	564	-68	-10.8	662	98	17.4

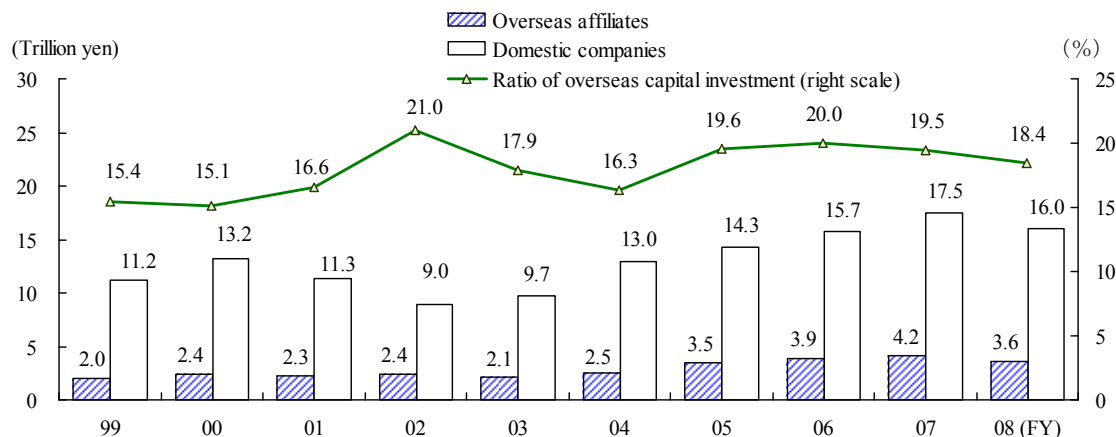
Note: Ratio of overseas research and development expenses = Research and development expenses of overseas affiliates / (Research and development expenses of overseas affiliates + Research and development expenses of domestic companies) × 100.0

Source: Research and development expenses of domestic companies: "Intramural expenditure on R&D of companies, etc. (costs)" in the Report on the Survey of Research and Development in Japan (Ministry of Internal Affairs and Communications)

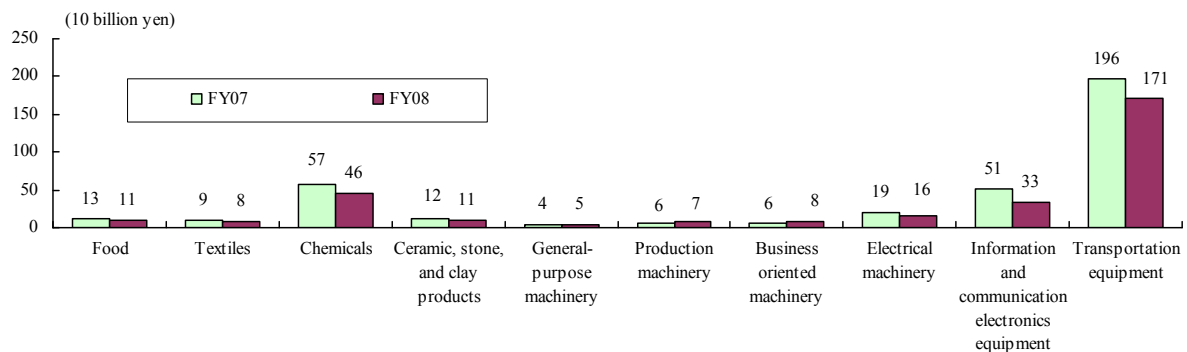
## 11. Capital investment in overseas affiliates

- In FY2008, the amount of capital investment in overseas affiliates in manufacturing industries decreased for the first time in five years to 3.6 trillion yen (down by 14.7% as compared to the previous year) (down by 16.9% if only comparing companies that gave valid responses for this year and the previous year). The ratio of overseas capital investment<sup>(Note)</sup> was 18.4% (down by 1.1 points as compared to the previous year) (see Figure 19).
- By sector, there were decreases in the transportation equipment sector (down by 12.7% (id.)), chemicals sector (down by 19.7% (id.)), and information and communication electronics equipment sector (down by 33.8% (id.)), etc. (see Figure 20).
- By region, decreases were observed in all regions of Asia (down by 9.2% (id.)), North America (down by 18.9% (id.)), and Europe (down by 8.0% (id.)). In Asia, ASEAN4, China, and NIEs3 all showed decreases (see Figures 21 and 22).

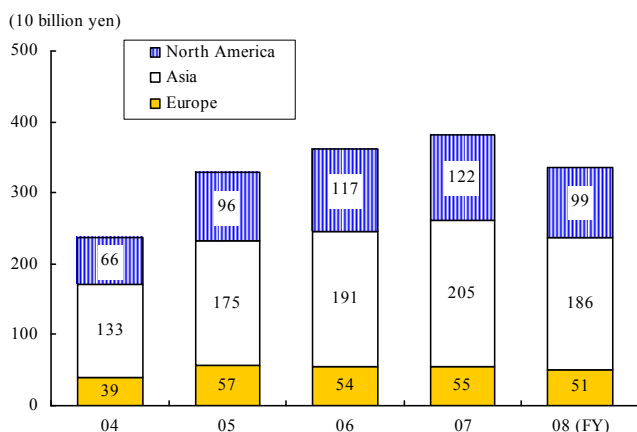
**Figure 19. Trends in capital investment in overseas affiliates (manufacturing industries)**



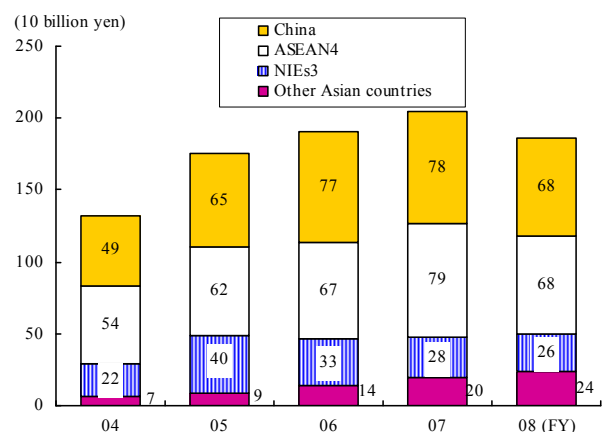
**Figure 20. Capital investment in overseas affiliates (by major sector)**



**Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)**



**Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)**



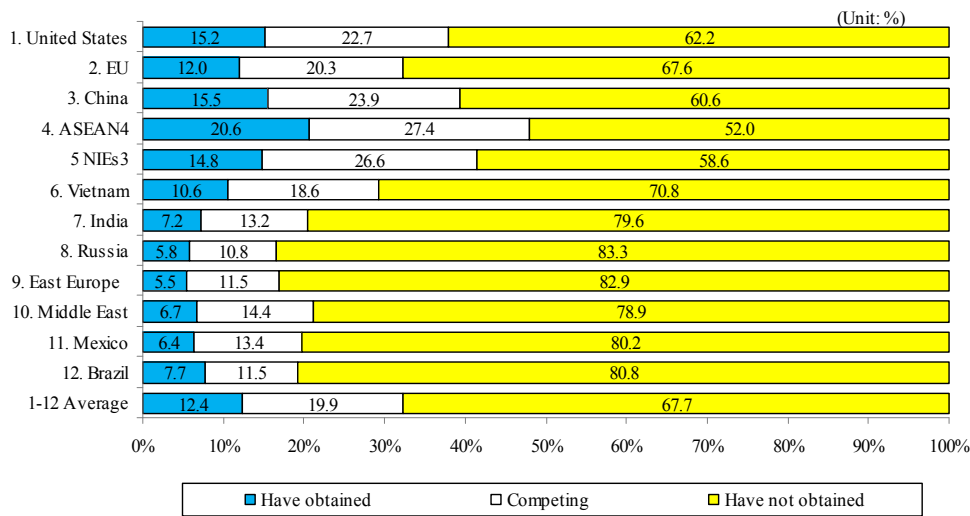
Note: Ratio of overseas capital investment = Amount of capital investment in overseas affiliates / (Amount of capital investment in overseas affiliates + Amount of capital investment in domestic companies) × 100.0

Source: Amount of capital investment in domestic companies: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

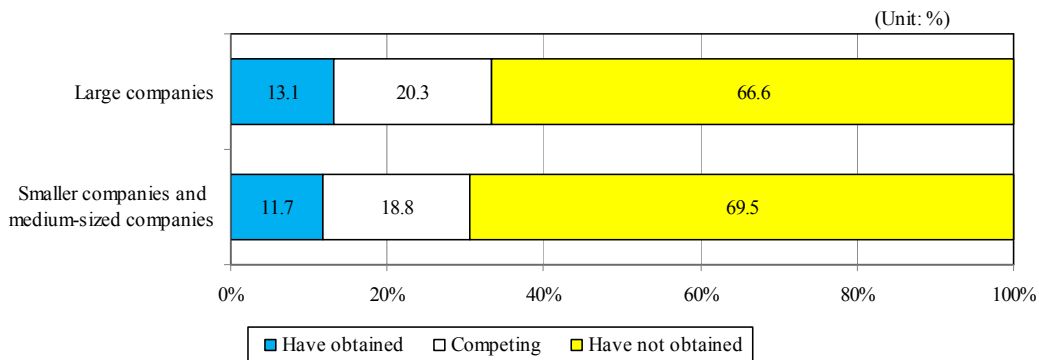
**12. Market shares of products and services in countries/regions in which Japanese companies have advanced**

- Comparing Japanese overseas affiliates' market shares of products and services in the relevant countries/regions with those of foreign companies (including local companies<sup>(Note 1)</sup>) in FY2008, nearly 70% of the respondents selected the questionnaire option "have not obtained" market shares sufficiently.
- In markets of emerging countries<sup>(Note 2)</sup> such as India and Russia, nearly 80% replied that they "have not obtained" market shares. On the other hand, the ratio of companies that selected the questionnaire option "have not obtained" was lower in ASEAN4, at around 50%, and in NIEs3, China, and the United States, around 60% (see Figure 23).
- By size of corporate headquarters,<sup>(Note 3)</sup> the survey showed a higher ratio in overseas affiliates of smaller companies and medium-sized companies than those of large companies that "have not obtained" market shares successfully in the countries/regions in which they have advanced (see Figure 24).

**Figure 23. Market shares of major products and services in major countries/regions in which Japanese companies have advanced**



**Figure 24. Market shares by size of corporate headquarters**



Details of the survey:

- The survey targets are corporate headquarters.
- Regarding market shares of major products and services in countries/regions they have advanced, respondents are to select one of the following questionnaire options by comparing their shares with those of other foreign companies (including local companies): "have obtained," "competing," and "have not obtained."
- Ratio of the number of companies that selected respective questionnaire options against the total number of respondents

Note 1: Local companies: Companies of the nationality of the relevant country

Note 2: Emerging countries: In Fig. 23, from "6. Vietnam" to "12. Brazil"

Note 3: For definitions of company sizes, see "5. Definitions of corporate headquarters' sizes" in Notes.

### 13. Technological levels of overseas affiliates in manufacturing industries

- Looking at technological levels of overseas affiliates in FY2008 by adopted manufacturing system, more than 70% of those adopting a "specialized manufacturing system, with companies in Japan," a "specialized manufacturing system, with companies in foreign countries," and an "integrated manufacturing system" replied that their levels are "on par" with those of Japanese companies, respectively.
- Comparing overseas affiliates that adopt a "specialized manufacturing system," a higher ratio of those adopting an "integrated manufacturing system" replied that their levels are "higher" than or "on par" with those of Japanese companies (see Table 12).
- The ratio of overseas affiliates replying that their technological levels are "on par" with those of Japanese companies was generally high, irrespective of their manufacturing system, and the ratio of overseas affiliates replying that their technological levels are "lower" has been relatively lower in North America and Europe (see Table 13).
- Compared with the past survey results, the ratio of overseas affiliates replying that their technological levels are "on par" with those in Japan increased from about 50% in FY1996 to over 70% in FY2008, and the ratio of those replying that their levels are "lower" decreased from about 40% in FY1996 to about 20% in FY2008 (see Table 14).

**Table 12. Technological levels of overseas affiliates by manufacturing system (composition ratio)**

(Units: companies, %)

Manufacturing system	Total respondents	Technological levels Higher	Technological levels On par	Technological levels Lower
Specialized manufacturing system, with companies in Japan	2,502	1.4	73.6	25.1
Specialized manufacturing system, with companies in foreign countries	1,438	1.5	76.8	21.6
Integrated manufacturing system	4,780	2.0	77.2	20.8

(Comparison with Japan)

**Table 13. Technological levels of overseas affiliates by manufacturing system (by region) (composition ratio)**

(Unit: %)

	Specialized manufacturing system, with companies in Japan			Specialized manufacturing system, with companies in foreign countries			Integrated manufacturing system		
	Technological levels Higher	Technological levels On par	Technological levels Lower	Technological levels Higher	Technological levels On par	Technological levels Lower	Technological levels Higher	Technological levels On par	Technological levels Lower
North America	3.9	83.0	13.1	3.4	85.1	11.4	3.6	84.5	11.9
Latin America	1.9	68.5	29.6	2.2	80.0	17.8	0.9	79.6	19.4
Asia	0.7	71.1	28.2	1.0	74.0	25.0	1.4	75.4	23.2
China	0.8	70.5	28.7	1.2	74.1	24.7	1.5	74.5	23.9
ASEAN4	0.5	70.6	28.8	1.1	73.8	25.1	1.6	76.6	21.8
NIEs3	-	79.5	20.5	0.6	78.5	20.9	0.8	79.3	19.8
Europe	3.7	86.6	9.6	2.5	89.8	7.6	4.3	81.7	13.9
Oceania	6.3	68.8	25.0	8.3	83.3	8.3	12.8	79.5	7.7
Africa	-	33.3	66.7	-	60.0	40.0	-	80.0	20.0

(Comparison with Japan)

**Table 14. Technological levels of overseas affiliates (changes in composition ratios)**

(Unit: %)

	Technological levels		
	Higher	On par	Lower
FY1996	2.9	53.5	43.6
FY1999	2.2	57.9	39.9
FY2002	3.0	59.4	37.6
FY2008	1.7	76.1	22.2

(Comparison with Japan)

Details of the survey:

- The survey targets are overseas affiliates.
- Respondents are to select their manufacturing system from the questionnaire options, "specialized manufacturing system, with companies in Japan," "specialized manufacturing system, with companies in foreign countries," and "integrated manufacturing system," and then select whether their technological levels are "higher," "on par," or "lower" compared to those of Japanese companies.
- Ratio of the number of companies that selected respective questionnaire options against the total number of respondents